



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director *EB*

RE: Amendment LCPR06-BA039: Forest Lake School District Teacher; Service Credit Purchase for Extended Leave of Absence

DATE: March 23, 2006

#### Summary of Amendment LCPR06-BA039

Blind amendment LCPR06-BA039 would authorize a teacher employed by Independent School District No. 831, Forest Lake, who was on an extended leave during the 2001-2002 school year for which the school district failed to notify TRA of the leave, to receive service credit for the leave period by paying the contributions that should have been paid, plus interest, and requiring the school district to pay the remainder of the full actuarial value. The eligible employee's payment must be made in a lump sum by July 1, 2007, or before termination of service, whichever is earlier.

#### Situation of the Eligible Teacher

The eligible teacher under this amendment is a teacher who was on an extended leave for the 2001-2002 school year. According to Mr. Lynn Steenblock, superintendent of Independent School District No. 831, Forest Lake, the school failed to notify TRA of the leave, and as a result, contributions to TRA were not made by September 30, 2002, which would have been the last day that TRA could accept contributions for this leave under TRA's extended leave of absence provision, Minnesota Statutes, Section 354.094.

#### Background Information on Extended Leaves of Absence and Service Credit Purchase Special Legislation

1. Extended Leaves of Absence. Extended leaves of absence provisions, not to exceed five years, were added to TRA and other teacher plan laws in 1977. The chief argument for initial passage was that tools were needed to address a surplus of teachers. Extended leave of absence provisions were viewed as a useful tool for this purpose, by assisting the transition of teachers into other careers. Given the passage of time and changes in the market for teachers, the present role of the provisions is less clear. Additional information on extended leave of absence provisions is contained in Appendix A.
2. Service Credit Purchase Special Legislation. Background information on service credit purchase special legislation is contained in Appendix B.

#### Discussion and Analysis

Amendment LCPR06-BA039 raises the following policy issues:

1. Consistency with Commission Policy/Harm Issue. The drafting is consistent with the Commission's usual prescribed treatment of these situations. The employer has stated that the situation was caused by employer error. The amendment requires that TRA receives the full actuarial value of the additional service credit that will be provided, with the employee paying an employee equivalent payment plus interest, and the employer covering the remainder of the full actuarial value.
2. Cost. TRA has estimated the expected cost to the employee to be about \$8,000, and the expected employer payment is about \$46,000.

